



**STATE OF TENNESSEE  
DEPARTMENT OF COMMERCE AND INSURANCE  
REAL ESTATE APPRAISER COMMISSION  
500 JAMES ROBERTSON PARKWAY, SUITE 620  
NASHVILLE, TENNESSEE 37243  
615-741-1831**

**January 22, 2006  
Room 640, Davy Crockett Tower**

The Tennessee Real Estate Appraiser Commission met January 22, 2006, at 8:45 a.m. in Nashville, Tennessee, at the Davy Crockett Tower in Room 640. Chairman Marc Headden called the meeting to order, and the following business was transacted.

**COMMISSION MEMBERS PRESENT**

Luther Bratton  
John Bullington  
Marc Headden  
William R. Flowers, Jr.  
Sam Pipkin  
James E. Wade, Jr.  
Jason West

**COMMISSION MEMBERS ABSENT**

Danny H. Turnmire

**STAFF MEMBERS PRESENT**

Nikole Urban, Administrative Director  
Patricia Carr-Berry, Administrative Assistant RB2  
Bethany Heuer, Staff Attorney

**ADOPT AGENDA**

The commission voted to adopt the agenda. Mr. Bratton made the motion to accept the agenda and it was seconded by Mr. Bullington. Motion carried unopposed.

**MINUTES**

The December 2006 minutes were reviewed. Mr. Pipkin made the motion to accept the minutes as written. It was seconded by Mr. Bullington. Motion carried unopposed.

## **APPLICANTS REQUEST FOR APPROVAL**

**Christopher Robert Pyle**, made application to become a trainee in Tennessee with a special exception to the education requirement. He requested the Commission to approve a 75 hour course which included two days of USPAP. Mr. Pyle took these courses in Colorado at Kaplan Professional School, which is not on the Tennessee approved course provider list. After lengthy discussion Mr. Bratton made the motion for Dr. Evans to review the course and Dr. Evans recommendation will be considered approved by the Commission for this course. Mr. Bullington seconded the motion. The motion carried unopposed. On January 25, Dr. Evans recommended approved of the 75 hour course and Christopher Pyle's application to become a trainee was approved by staff.

**Charles C. Travis**, made application for Certified General Appraiser and checked yes to a character question and was required, therefore, to appear before the Commission. Mr. Travis was not able to attend the Commission meeting and sent a letter instead which reported he received a DUI offense in 1986. He further stated that he wanted to assure the Commission that no one was injured, or killed, and there was no severe property damage. Mr. Travis' letter stated he was attending college at the time and he drove on campus. There was a security hut that as far as he knew was unattended. As he drove towards the entrance, the car in front of him paused at the hut but started moving prior to his arrival. Mr. Travis moved to follow and found out that these huts are manned on the weekend nights. Mr. Travis stated that he did not live on campus, and this was his first trip on campus at night. Mr. Travis' letter reported he proceeded to the hut entrance and could not stop in time before the fiberglass arm came down. It hit the car by the windshield and broke off. The damages were less than \$100.00. He had been drinking and was arrested for DUI. Mr. Travis' letter further stated he had received correspondence from the New Jersey State Board about a complaint and did not respond to the complaint in a timely manner. The Board fined him \$1,000.00 he said the complaint was sitting on his desk under a pile of work. Mr. Travis reported in his letter, he thought the letter went out with the other certified letters. The policy of the Commission has been for applicants to attend a Commission meeting if they have checked yes to character question. The Commission did not accept his letter of explanation and denied Mr. Travis' application.

## **GENERAL BUSINESS**

### **Newsletter Update**

Nikole Urban stated that the newsletter is out and posted on the website. There were minor errors that needed to be corrected in the next issue but due to the time frame the editor could not correct until the spring issue. The newsletter contained the Disciplinary Action Report for 2005 and 2006.

### **Website Update**

There will be post cards going out in February to the licensees as announcement of the on-line newsletter and advising them how to subscribe to the newsletter to be delivered via e-mail if desired. Also propose to be on the post card is the date scheduled for the Rule Making Hearing for the 2008 Qualification Criteria Changes.

### Response from the Department of Financial Institutions

The Department of Financial Institutions received and reviewed letters of correspondence, from John A. Bullington, dated November 21, 2006, regarding the responsibilities of appraisal coordinators. The use of appraisal coordinators is recommended as an internal control process in financial institutions to create independence and separation of duties within the lending function. Additional information regarding the selection and ordering of appraisals is detailed within the Frequently Asked Questions on the Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions, which were issued by the five primary federal financial institution regulatory agencies on March 21, 2005. Additionally, their letter recommended that if anyone is aware of any instances of unethical or abusive appraisal coordination activities at a financial institution to contact the Department of Financial Institutions to detail these concerns.

### EDUCATIONAL REPORT

Dr. Evans was not present at the meeting but Nikole read a letter from Dr. Evans that stated he had reviewed the educational report and recommended it be approved as written. Mr. Bratton made the motion to accept the recommendation and it was seconded by Mr. Bullington. Motion carried unopposed.

### EDUCATION COMMITTEE REPORT JANUARY 22, 2006

Course Provider	Course Name	Instructors	Credit Hours	Type
American Society of Farm Managers & Rural Appraisers	Tax Deferred 1031 Exchanges	TBA	14	CE
	Minerals Appraisals	John Widdoss	12	CE
	Timber Property Valuation	Martin Wild	12	CE
Appraisal Institute	General Appraiser Income Approach Part 1	James Vernor	30	CE
	General Appraiser Income Approach Part 2	James Vernor	30	CE
	Office Building Valuation: Contemporary Perspective	Barrett A. Slade	7	CE
Career Webschool	On-Line Residential Market Analysis & Highest & Best Use	A. M. (Bud) Black	14	CE
	On-Line Residential Appraiser Site Valuation & Cost Approach	A. M. (Bud) Black	14	CE
The Columbia Institute	Scope of Work & Due Diligence No. 036	Various	4	CE

## Rules Changes-Questions, Concerns Corrections

Nikole Urban & Bethany Heuer, staff attorney stated they corrected numbering and formatting issues but other than that everything remained unchanged from the previous version of the mandated 2008 Qualification Criteria Changes. The Commission members wanted to know the time frame on when the rules would be ready. Bethany Heuer, Attorney for the Commission stated that she has submitted the rules for review to Chief Counsel, Christy Allen and it should take about (10) ten days. Ms. Heuer further stated that a Proposed Rulemaking Hearing should be scheduled for April 9, 2007.

## LEGAL REPORT

### **L06-APP-RBS-2006001451 Mr. Pipkin was the reviewer and recused from vote.**

This complaint was represented due to additional information, including photos. This complaint concerns two appraisals made by the respondent on two separate properties. The complaint alleges that Respondent over values the properties by improperly selecting comparable sales from better quality subdivisions and thereby creates a market for that builder's homes. The complainant also alleges that the primary purchasers of these homes are minorities who do not have a good understanding of the process and are inclined to over pay for the properties they purchase. Complainant alleges that the builder has a preprinted form indicating that Respondent will do the appraisal on the houses that he sells. Respondent denies that he has over appraised the homes and insists that the comparable sales he has used are proper. This file went to investigations. The investigator stated that he interviewed the Respondent and he drove out to see the comps in question and that he did not find anything out of order. Investigator said that the Respondent stated that he knew his name had been on the sales contract of the builder as a suggested appraiser, but that he had not asked that his name be put there and that it is no longer on those contracts. The investigator also asked the builder about this practice. The builder stated that at the time he felt that it was prudent to suggest an appraiser who lived in the area where he was building but that he no longer puts this information in his sales contracts. Photos regarding this appraisal were included in the Commissioner's booklets for review. The Commission requested the full history on the past complaints of this respondent. Mr. Pipkin recommended an **informal conference; formal hearing; and/or Consent Order with civil penalty of \$2,000 and a 12 month suspension of the respondent's license**. Mr. Flowers made the motion to accept recommendation. The motion was seconded by Mr. Bratton. The motion carried unopposed.

### **L06-APP-RBS-20060447811 Mr. Bullington was the reviewer and recused from vote.**

The complainant alleged the respondent improperly labeled the appraisal report, omitted information or included misleading information in the report, had a lack of competency in this appraisal type, and failed to support opinions in the appraisal report. Complainant alleges respondent inflated the value by \$180,000.00 or 39%. This residential appraisal was completed in 2006. Complainant alleges respondent gives a Narrative Summary, Full Summary and Self Contained report. Complainant alleges that general industrial, commercial service and MRO zoning is referenced and the actual zoning is industrial restricted. Complainant alleges the report stated there was a contract pending when there was not. Complainant alleges there were no calculations for determining the estimated land value and no adjustments were applied to his comparable land sales. Complainant alleges report referenced OAR as the cap rate utilized, but a GRM Gross Rent Multiplier was used. Complainant alleges comparable #2 was a day care and other comps were more than 2,000.00 square feet larger than the subject because the square

footage was not confirmed. The respondent responds that because this appraisal was done for a divorce that the \$250,000 limit for transaction value for non-residential appraisal of real estate did not apply. The respondent admits he mislabeled the report type in a section of the report by calling it a "Self-Contained" report, when in other portions he labeled it a "Summary" report. He reports that this was over-looked in the review process. The respondent states in his response that, "there is no misleading information contained within my report," and that, "the report is extensive and provides a complete background, accurate present-day data, and comprehensive representation of the facts regarding the subject property and similar properties utilized for comparative purposes." Regarding the issue of competency, the respondent reported that since he was within the limitations of his license level there was no violation of the applicable rule. In his response, regarding failure to support opinions in the appraisal report, the respondent stated that the, "report stands on its own merits and provides ample descriptive information regarding the conclusions derived in performing the subject report." *Prior complaints: 2 closed.*

Mr. Bullington recommended approval an **informal conference** and, if necessary, a **formal hearing**. Mr. Pipkin made the motion to accept the recommendation of Mr. Bullington. Mr. Wade seconded the motion. The motion carried unopposed.

**L02-APP-RBS-2002072861 Mr. Headden and Mr. Bratton were the reviewers and recused.**

This complaint is being represented again due to conflicting information of previous consent orders issued. The complaint alleged under-valuing and undisclosed interest in the subject property. The respondent appraised the property on December 21, 2000 and signed the report on March 1, 2001. The subject property, per public records, was purchased on September 24, 2001. It appears, from the respondent's letter, that the seller was represented by legal counsel at the time of this sale. The seller knew that the buyer did the appraisal, because he hired him to do the appraisal for tax valuation purposes. The appraisal report does not identify the intended use or intended user(s) within the appraisal report. The appraiser only included a brief statement that the subject was in average/fair condition overall and was in need of renovation. The description of the deferred maintenance is allegedly inadequate and no interior pictures are provided. Allegedly, support for adjustments in the sales comparison approach is extremely limited and should have been further supported by description of the condition of the subject. Mr. Headden and Mr. Bratton recommended authorization for an **informal conference and a consent order with a civil penalty of \$2,500.00**. Mr. Pipkin made the motion to approve the recommendation. Mr. Wade seconded the motion. The motion carried unopposed.

**L06-APP-RBS-2006043781 The reviewer was Mr. Headden and he recused.**

Complaint alleges inflated value opinions, misreporting the sales price of Comparable One, omitting site information for the Comparables in a manner that was misleading, and failure to support adjustments made or not made in the sales comparison approach. Complainant attaches a copy of the appraisal to his complaint and asks the commission to review for inflation of value opinion. The recommendation by Mr. Headden was to close with a letter of warning stating that the Respondent needs more description on the sales comparison and adjustments. Mr. Flowers made the motion to close with a **Letter of Instruction** and Mr. Pipkin seconded the motion. The motion carried unopposed.

**Mr. Headden was the reviewer for the following three complaints and recused from vote.**

**L04-APP-RBS-2004201991** The Complainant alleged that the Respondent overvalued the subject property by appraising it for \$300,000.00 when the Complainant states that the property value

should be between \$125,000 and \$200,000. Specifically, the Complainant alleges that the Respondent failed to accurately state the above and below grade square footage, that the Respondent selected comparables that were superior in quality to the subject, the Respondent failed to make location adjustments for the comparables, and stated that comparable number three was 18 years old when it was built in 2001.

The Respondent states that the appraisal was never completed by him and it was never submitted to the lender; the appraisal submitted by the Complainant was not signed by the Respondent. Complainant states that the unsigned appraisal was prepared by the Respondent for the client (mortgage company) and the client relied on this appraisal to approve a loan in the amount of \$180,000.00.

**L05APP-RBS-2005040451** Complainant alleges that the Respondent performed a misleading appraisal through the following errors: (1) Comparables are 2.2 to 3.8 miles away from the subject; (2) The location map puts the comparables in the wrong locations; (3) Comparables are actually located 15 to 20 miles away from the subject in superior locations. Respondent states that the Complainant has not submitted the complete appraisal report; the completed report contains commentary and addenda and explains that there was a malfunction in the Respondent's appraisal software relative to the location map and the Respondent notified the loan officer of the software problem.

**L05-APP-RBS-20050077861** Complainant alleges that the Respondent made the following errors in his appraisal: used improper comparables (subject is in a gated golf course community, but sale 3 is not gated and sale 3 is waterfront property and the Respondent failed to make an adjustment for the boat lift, screen porch or lot); used incorrect data for the comparables (square footage, year built, garages); Respondent appraised the property which was 2+ hours away from the Respondent. Prior complaints: 951383 – Closed; 200004329 – Closed; 200315455 – Consent Order with \$100.00 civil penalty for failure to advise of change in address.

Mr. Headden recommended a **(6) six month suspension and downgrade from CG to CR, a 45 hour residential report writing class (with a passing test – and not to count for continuing education), and a civil penalty of \$5,000.00.** Mr. Flowers made the motion to approve the recommendation. The motion was seconded by Mr. Wade. The motion carried unopposed.

**L06-APP-RBS-2006043791** Mr. Headden was the reviewer and recused.

Complainant alleges inflated value opinions, failure to describe location characteristics of the subject and comparables, misreporting the style, quality and condition of the subject and comparables, failure to support adjustments or lack of adjustments within the sales comparison approach, and misreporting data used in the cost approach. Mr. Headden recommended closing with a **Letter of Instruction**. Mr. Pipkin made the motion to close with a Letter of Instruction and to accurately comment on adjustments and sales comparison. Mr. Wade seconded the motion. The motion carried unopposed. Prior complaint history: 3 closed with letters of warnings.

**L07-APP-RBS-2007046851** Mr. Headden was the reviewer and recused from vote.

This Respondent has already been approved for an informal conference on another complaint regarding Respondent's license having been revoked in Texas. Legal counsel requested approval for this second complaint to be handled at the same time as the informal conference scheduled for the first complaint. This complaint alleges over-valuing the property, misleading appraisal report and failure to report the sales/listing history. No prior disciplinary history. The recommendation by Mr. Headden was for **revocation or voluntary surrender of license**. Mr. Wade made the motion to accept the recommendation. Mr. Pipkin seconded the motion. The motion carried unopposed.

**L06-APP-RBS-2006040861 Mr. Wade was the reviewer and recused from vote.**

According to the complaint, Respondent accepted a \$2,000.00 payment as a portion of an appraisal fee to provide appraisals on 16 single family residential houses. The complaint stated that she has not delivered the appraisal reports nor returned the funds over a 7 week period prior to the complaint even though numerous requests were made to do so. Also, the respondent has not provided a copy of the appraisal reports to the Tennessee Real Estate Appraiser Commission as requested over two months since the complaint was first filed.

The recommendation by Mr. Wade was for **informal conference with a Consent Order agreeing to a 6-month suspension of license and also to authorize a formal hearing** as well for ethics and conduct violation. Mr. Bullington made the motion to accept the recommendation. Mr. Flowers seconded the motion. The vote was Mr. Pipkin and Mr. Bratton voted no to the recommendation and Mr. Bullington, Mr. Flowers, Mr. West, Mr. Headden voted to accept the recommendation.

**L04-APP-RBS-2004217731 Mr. Pipkin was the reviewer and recused from vote.**

This appraisal was done by a supervisor and their trainee. The complaint alleges Respondents appraised as a single family home of "traditional" design, but it is a duplex. Respondents allegedly used superior comparables. The appraisal at issue calls subject "suburban" but in comments called it "rural" (the subject is 3 miles south of the city). The bank ordered a review appraisal when the property foreclosed. The review appraiser discovered that the property was, in fact, a duplex. Prior history: Supervisor: CR 7 prior complaints: 2 closed with no explanation on record; 5 files closed together with one consent order. *Trainee (now CR): no prior complaint history.*

Recommendation by Mr. Pipkin was for a consent order for 60 day suspension for each respondent and \$5,000.00 civil penalty each. After deliberation, the Commission revised the recommendation to a **consent order for 60 day suspension each and \$5,000.00 civil penalty for the supervisor and \$1,000.00 civil penalty for the trainee with an informal conference authorized.** Mr. Bratton made the motion to accept the recommendation. Mr. Wade seconded the motion. The motion carried unopposed.

**L06-APP-RBS-2006045771 Mr. Bullington and Mr. Pipkin were reviewers and recused from vote.**

The complaint alleged the respondent misrepresenting property characteristics such as well versus spring water, that the foundation and condition of property was not adequately described. Prior history: none. The recommendation by Mr. Bullington and Mr. Pipkin was for **formal and informal Hearings and for approval of a consent order with 300.00 civil penalty.** Mr. Wade made the motion to accept the recommendation. Mr. Flowers seconded the motion. The motion carried unopposed.

**L06-APP-RBS-2006045851 Mr. Wade was the reviewer and recused from vote.**

Complaint alleges that Respondent is inspecting properties by herself although she is a trainee. Staff reported the trainee had not submitted the 500 hour experience affidavit prior to the date of the appraisal of the property in question. Prior history: none (trainee). The recommendation by Mr. Wade was for an informal conference (and formal if needed) where Respondent will be asked to sign a **consent order agreeing to present to the Tennessee Real Estate Appraiser Commission within a period of 3-months proof of the successful completion of a 2-day USPAP class presently approved by the Commission and a signed statement that she has read and understands the rules and regulations of the Tennessee Real Estate Appraiser's**

**Laws and Rules and Policies.** Mr. Pipkin made the motion to accept the recommendation. Mr. Flowers seconded the motion. The motion carried unopposed.

**L07-APP-RBS-200704682 Mr. Pipkin was the reviewer and recused from vote.**

Respondent has been approved for an informal conference regarding case number 2006039621, which involves allegations of an inflated appraisal, misreporting the condition of the subject, and property flipping or collusion with a mortgage officer to obtain mortgage funds. Legal counsel requested approval for this second complaint to be included with the first at the same informal conference. Complainant says subject was actively listed for 849,000.00 and that Respondent appraised the subject for \$1.8 million. Complainant alleges that the sales and listing history was not disclosed in the appraisal. The complaint alleged overvaluing, and misleading appraisal. Respondent had not responded to this complaint at the time of this meeting. Prior history: 9 prior complaints: '94 complaint: undervalued, not supervising trainee- cease and desist letter; '00: USPAP violation alleged but closed with no action; '04: did not do 15 hour USPAP course, so paid CO for \$100; '03 failed to provide copy of appraisal- dismissed Comp. not client; '03 closed with no action; '99 overvaluing, dismissed. The recommendation by Mr. Pipkin was for approval for this second complaint to be included with the first at the same **informal conference** with Mr. Pipkin and authorization for **formal hearing**, if needed, as well. Mr. Wade made the motion to accept the recommendation. Mr. Bullington seconded the motion. The motion carried unopposed.

**L06-APP-RBS-2006026941 Mr. Headden was the reviewer and recused from vote.**

Complaint alleged failure to provide trainee with appraisal files and failure to report appraisal assistance provided by trainee on appraisal reports. Respondent states that he fired the Complainant for being incompetent and verbally abusive. Respondent states that he has now provided the trainee with the files that he worked on though submission to the Real Estate Appraiser Commission. Respondent states that Complainant/trainee lists 19 appraisals that he did not generate. Respondent states that regarding the other 62 appraisals, there is no way for him to know if the Complainant worked on them or how much he may have contributed to each. Prior complaint history was one complaint dismissed. The recommendation by Mr. Headden was due to ethics, conduct and certification violations for an **informal conference and a consent order with a 15 hour USPAP course and civil penalty left up to the discretion of Mr. Headden at the informal conference**. Mr. Pipkin made the motion to accept the recommendation. Mr. Bratton seconded the motion. The motion carried unopposed.

**L06-APP-RBS-2006045121 Mr. Wade was the reviewer and recused from vote.**

Complaint alleges that Respondent did not inspect the subject property, but his appraisal report to the client did not disclose that fact. The respondent allegedly submitted an altered appraisal with an additional page to include a FIRREA page that state in an addendum block that the interior inspection and measurements were done by the trainee. The appraiser allegedly has failed to supervise his trainee and no 500 hour affidavit has been submitted to the TREAC regarding her experience. Prior complaint history; none. Mr. Wade recommended an **informal conference (and formal hearing, if needed) where the CR Respondent will be asked to sign a consent order agreeing to pay a \$3,000.00 Civil Penalty and to submit proof of the successful completion of a 2-day USPAP class within 90-days** due to ethics, supplemental standards, SR1, SR2, rule regarding trainee supervision violations. Mr. Pipkin made the motion to accept the recommendation. Mr. Flowers seconded the motion. The motion carried unopposed.



**L06-APP-RBS-2006042021 Mr. Wade was the reviewer and recused from vote.**

An informal conference was held today with the Respondent and Commissioner Wade. Complainant alleged undervaluing. Our reviewers did not dispute the value, but did find violations of Standard Rules 2-2 and 1-6. There was a stream and guardrail along the front of the subject property. The appraisal had stated that a driveway would have to be built on the property with a bridge built over the stream and the guardrail for ingress and egress; and the appraisal was labeled "As Is." The respondent stated that in hindsight, he should have made the appraisal subject to the driveway and the bridge, that he should have called the county to determine the details of that task, and that he should have gone into more discussion in the appraisal regarding the uniqueness of the property. Also, the respondent stated that there was a "detached building" on the property, but did not give an adequate description of that structure. The recommendation by Mr. Wade was for a **consent order with a civil penalty of \$1,000.00, 7 hour on-line Marshall and Swift Course (not to be used for continuing education) to be executed, paid and course documented within 45 days.** Mr. Pipkin made the motion to accept recommendation. Mr. West seconded the motion. The motion carried unopposed.

## **EXPERIENCE INTERVIEWS**

**James Coffman**, made application for certified general appraiser and Mr. Headden was the reviewer. The appraisal reports were not sufficient. There were problems with the capitalization rates, comparables, the income approach, and there were competency issues. Mr. Coffman explained that the reports were done as in house appraisals for a lender. Mr. Headden stated he could not recommend approval because he failed to illustrate sufficient competency. Mr. Pipkin made a motion that Mr. Coffman submit three additional income producing property appraisals, other than agriculture property, with proficiency uniform standards applied in these demonstration appraisals. In addition, a education credit letter as proof of passing a 30 hour income capitalization course must be submitted with the demonstration appraisal reports. Mr. Pipkin made the motion to accept the recommendation. The motion was seconded by Mr. Bratton. The motion carried as follows: Wade (No), Bullington (No), Headden (No), West (Yes), Pipkin (Yes), Flowers (Yes), Bratton (Yes).

**Mari M. Carlson**, made application to upgrade from a trainee to a certified general. Mr. Headden was the reviewer and recommended approval. Mr. Pipkin made the motion to accept the recommendation and Mr. Wade seconded the motion. The motion carried unopposed.

**Marques Morris**, made application to upgrade from a trainee to a licensed appraiser Mr. Headden was the reviewer. Mr. Morris did not attend the meeting as only a vote and recommended was required from a previous interview. Mr. Pipkin made the motion for approval; Mr. Flowers seconded the motion. The motion carried unopposed.

**Jennifer W. Smith**, made application to upgrade from a trainee to a certified residential appraiser Mr. Bullington was the interviewer and recommended approval. Mr. Pipkin made the motion for approval; Mr. West seconded the motion. The motion carried unopposed.

**Tim Pugh**, made application to upgrade from a trainee to a certified residential appraiser. Mr. Bullington stated that after a lengthy interview with him he could not recommend approval at this time and recommend he send in 3 additional residential reports. Mr. West made the motion to accept Mr. Pipkin seconded the motion. The motion carried unopposed. Nikole Urban asked if Mr. Pugh would have to interview with Mr. Bullington again at a future meeting. Mr. Bullington said that was not necessary.

Being no further business, meeting was adjourned at 1:10 p.m.

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Nikole Urban, Administrative Director

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Marc Headden, Chairman







